

INVEST IN CÓRDOBA

SUMMARY OF FINANCES AND INVESTMEN
ACCUMULATED 2017

Ministerio de
FINANZAS



GOBIERNO DE LA PROVINCIA DE
CÓRDOBA

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PUBLIC FINANCE POSITION

BUDGET EXECUTION

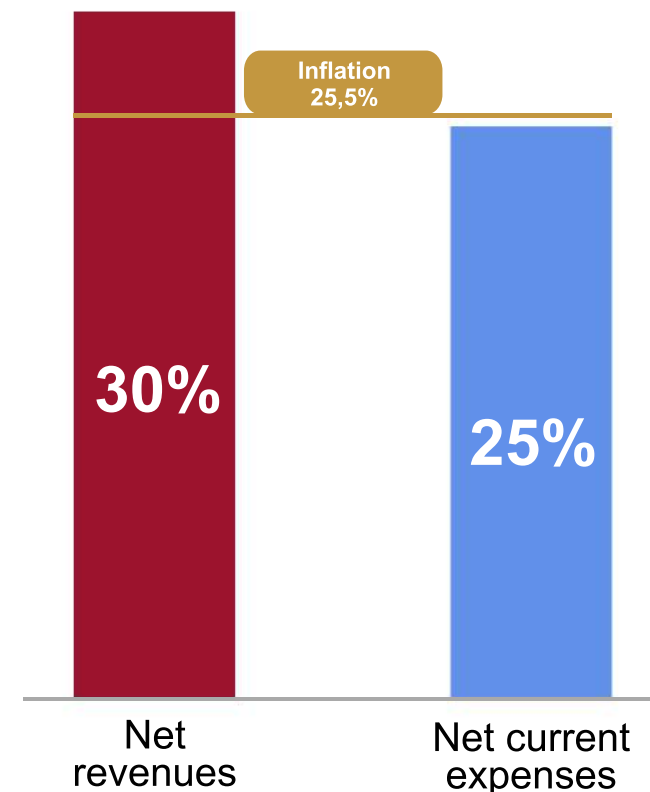
The budget execution of the year 2017 reflects the decision of the provincial government to take as a priority the execution of an ambitious infrastructure plan. The main axes are public roadwork, gas pipelines, and sewers. For this, an austere administration of the operative expenses with the aim of generating a level of savings large enough to give financial sustainability to the plan is key.

The most relevant indicator to monitor the state of provincial public finances is the "Net Current Result". This variable is calculated as the difference between net resources¹ of those that are automatically distributed to the municipal governments and the current expenditure².

¹ It includes automatic revenues of national origin (National Coparticipation regime, especial laws and Federal Solidarity Fund), Provincial tax resources, Non-tax income, goods and services sells and current transfers.

² This methodological change was implemented the first quarter of 2017 and consists of subtracting from the total resources - excluding the recovery of loans and other capital transfers - those resources that are distributed automatically to the municipal states in accordance with the legal provisions (Régimen de Coparticipación Provincial -Law 8.663- and Fondo Federal Solidario).

**Net Income Revenues and
Current Net Expenses**
Interannual Nominal Variation in %
Accumulated 2017



During 2017 the Net Current Result added up to US\$ 1.225 million (\$20.779 million), representing 18.7% of Net Income³. Compared with the same period in the previous year, when savings were 15% of the Net Income, a significant increase in the surplus available for capital expenditures can be seen. This increment in savings is the result of the Province's net income growing at a faster rate (30.1% year-over-year or 3% corrected by inflation⁴) than current expenditure (24.8% nominal or a decrease of 0.58% in real terms).

If we compare the projection elaborated at the end of 2017 with the executed budget of the same year, there's evidence of an **improvement in the net current result of 2.4 percentage points regarding net revenues**. The greater saving is the result of the combination of a very good performance of public revenues accompanied by a contraction of operating expenses that fall with respect to the growth of prices.

Córdoba's Central Administration Income and Expense Summary

2016 - 2017

(Million de AR\$ and US\$)

Concept	2016		Budget 2017*		Accumulated 4° Quarter 2017	
	AR\$	US\$(8)	AR\$	US\$(8)	AR\$	US\$(8)
Total Income (1)	97.379	6.590	125.619	7.010	128.667	7.771
Automatically Distributed Resources to Municipalities and Communes (2)	11.839	801	17.351	968	17.357	1.048
Net Income (3)	85.539	5.789	108.268	6.042	111.311	6.723
Net Current Expenditure (4)	72.529	4.908	90.618	5.057	90.532	5.468
Net Current Result	13.010	880	17.651	985	20.779	1.255
Net Current Result / Net Income (%)	15%		16,3%		18,7%	
Available Capital Income (5)	470	32	1.975	110	1.494	90
Works expenditures (6)	5.274	357	10.403	581	11.105	671
Other Capital expenditures (7)	4.607	312	8.448	471	5.661	342
Financial Result	3.600	244	774	43	5.507	333

Source: Ministry of Finance of Córdoba Province. See: <http://www.cba.gov.ar/ejecuciones/>

This table is exposed under the methodology of subtracting from the Total Income registered by the Accounting of the Province, those that are distributed automatically to the Municipalities and Communes in accordance with the legal provisions in force. (Regime of Provincial Co-participation Law No. 8.663 and Federal Solidarity Fund).

* Corresponds to projections for the closing of fiscal year 2017

(1) It includes automatic revenues of national origin (National Coparticipation regime, especial laws and Federal Solidarity Fund), Provincial tax resources, Non-tax income, goods and services sells and current transfers.

(2) Includes currents transfers (Provincial coparticipation regime – Law N° 8,663) and capital transfers (Federal Solidarity Fund) towards Municipalities and Communes.

(3) Resources at the disposal of the Province once discounted the automatically distributed resources to Municipalities and Communes.

(4) Net of current transfers to Municipalities and Communes in Coparticipation concept (Provincial Coparticipation Regime – Law N° 8,663).

(5) Does not include resources received in concept of Federal Solidarity Fund.

(6) It contemplates works carried out by the Central Administration and capital transfers destined to finance of works in charge of ACIF. Excludes resource transfers towards Municipalities and Communes in concept of the Federal Solidarity Fund.

(7) Includes financial assets items and others capital transfers destined to other organizations that make up the Non-Financial Administration. For 2017, it includes loans to the Caja de Jubilaciones destined to cover up the pension deficit.

(8) The exchange rate used corresponds to the average exchange rate of the first three quarters of 2016 and 2017. For the 2017 Budget, the "Marco Macro Fiscal" exchange rate (\$17.92) was used.

3 Provincial resources after those automatically distributed to the municipal governments are subtracted.

4 To transform nominal values to real values, the average inflation of the first half of 2017 is used based on the Consumer Price Index calculated by the Statistics and Census Bureau of the Province of Córdoba.

INCOMES

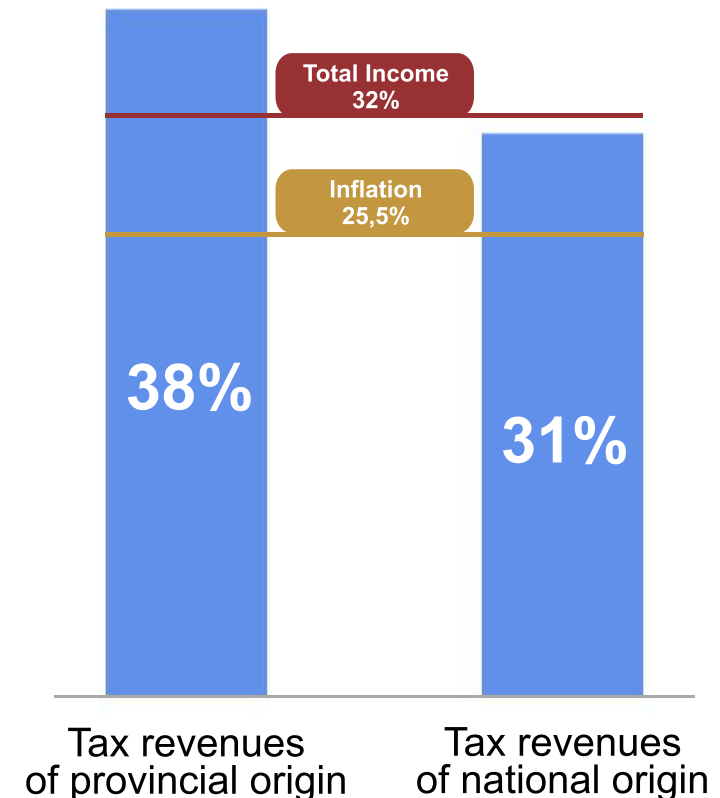
During 2017, the province's total revenues – without taking into account loan recovery and other capital transfers – reached US\$ 7.771 million (AR\$ 128.667 million). This value is mainly explained by the good performance of the collection of provincial taxes since this income was of US\$ 6.723 million (\$111.310 million). In nominal terms, this amount is 30% higher than the one registered during 2016, whereas taking into account inflation, the growth observed is 4%.

If we compare the variations of the tax resources of provincial origin with the tax resources of national origin, an important improvement is also observed. Throughout this period, provincial tax revenue grew **38%** in nominal terms (equivalent to 10% in real terms), while tax resources from national origin increased 31% (standing for 4% increase in real terms).

Improvements in tax administration within the framework of the Tax Equity Program is one of the causes explaining this performance.

As for the financial result minus the capital expenses, 2017's exercise yielded **\$5.507 million financial surplus** (see *Córdoba's Central Administration Income and Expense Summary table*). In nominal terms, this quantity is 53% higher than what was registered in 2016, while if inflation is subtracted, the observed growth is 22%.

Tax Revenues and inflation
Nominal year-on-year change in %
Accumulated 2017



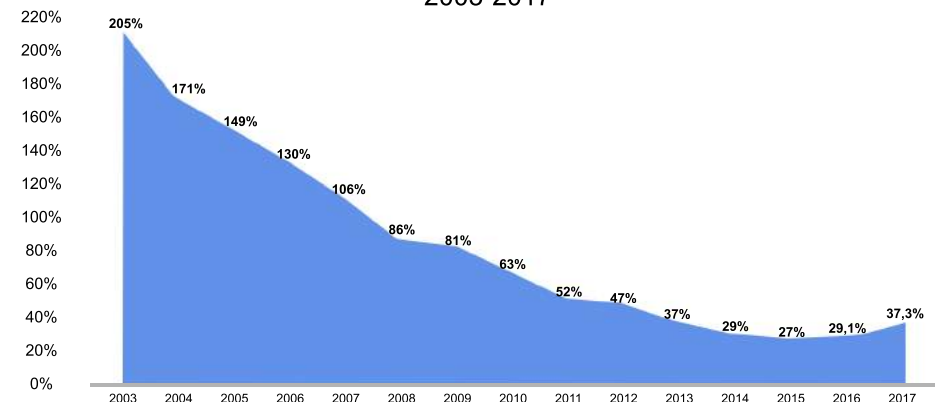
Source: Ministry of Finance of Córdoba Province and Federal Administration of Public Revenues.
<http://www.cba.gov.ar/ejecuciones/>

DEBT

At the end of 2017, the projected debt stock amounts to US\$ 2.391 million (\$48.551 million). If Córdoba's province level of indebtedness is measured, as the percentage of its total income, a strong decreasing trend can be seen in the last years (*Provincial public debt graph*). **While in 2003 debt level stand for more than twice the revenues level, in 2017 debt level exceeds briefly one third of total annual revenues of the province.**

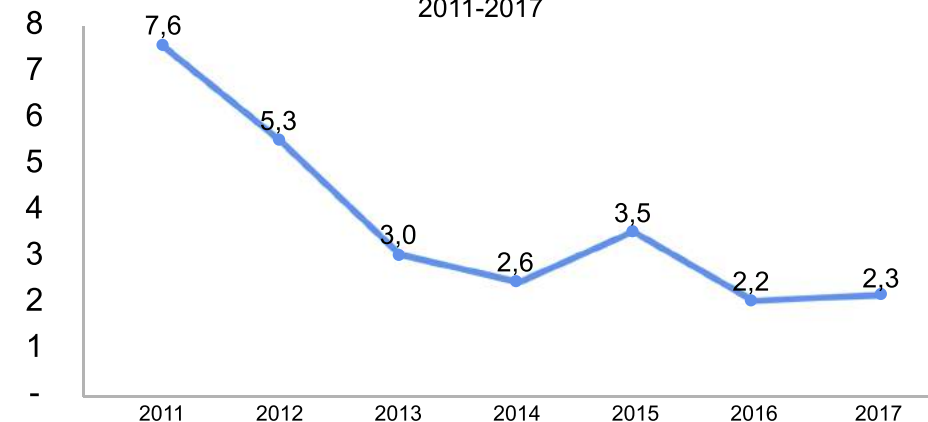
A more relevant way to measure the magnitude of indebtedness is to compare it with the current available savings. This allows a better understanding of the ability of the Province to assume the accumulated liabilities. Even though 6 years ago indebtedness level represented more than 7 years of savings, in the years 2017 this ratio reaches 2.3 times (*Debt stock graph*). This means, **if a similar amount of net current result and a financial surplus result is kept, in two years (approximately) debt could be canceled.** To this we must add that the average duration of the debt that the Province has is around 6 years.

Provincial public debt
Debt stock as a % of total income
2003-2017



Source: Ministry of Finance of Córdoba Province.
<http://www.cba.gov.ar/ejecuciones/>
<http://www.cba.gov.ar/deuda-publica-finanzas/>

Debt stock
In terms of the net result
2011-2017



Source: Ministry of Finance of Córdoba Province.
See <http://www.cba.gov.ar/ejecuciones/>

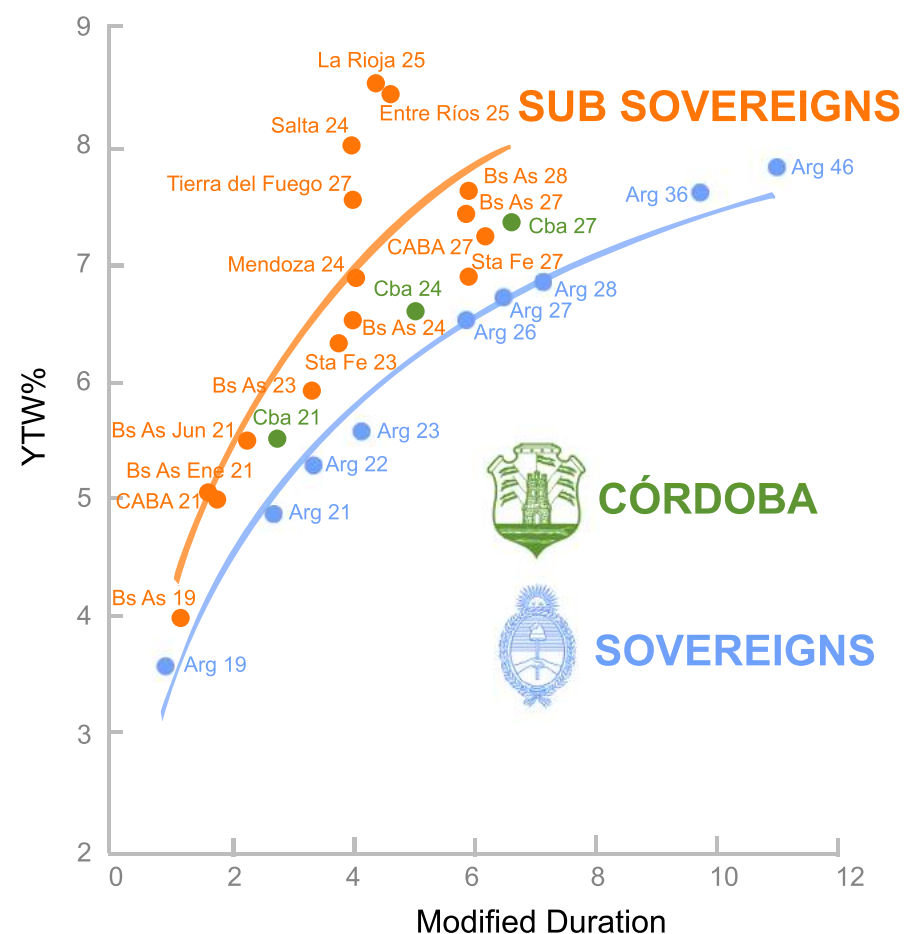
OTHER NEWS

MOODY'S UPGRADE ARGENTINEAN SUBSOVEREIGNS RATINGS

Moody's Investors Service raised the issuer and debt ratings in the Global/National scales, both in local and foreign currency in six Argentine provinces and five municipalities, including Córdoba Province. The rating went from B3 to B2. The rise of the rating follows the one observed in sovereign bonds and the very strong economic and financial interrelationships that exist between the national and provincial governments in Argentina. Moody's believes that the outlook for all ratings on a national scale remains stable, in line with the outlook for ratings on a global scale.

It should be remembered that the Province made the first issue of public securities in October 2016, placing US\$ 150 million at a rate of 7.125% and a term of 10 years. This issue was made within the framework of a broader debt program for US\$ 460 million. In April 2017 the first reopening of the program was carried out, adding an issuance of US\$ 150 million, also with a coupon of 7.125%. **This placement was made at a price over par, enabling an effective rate of 6.8% for the Province.** Compared with other issues of public securities, the yields of the provincial securities show similar performances to Santa Fe, Buenos Aires and the Autonomous City of Buenos Aires.

Yield curve of sovereign and sub-sovereign international bonds



Fuente: Bloomberg/Reuters

DURING 2017 CÓRDOBA ADDED INVESTMENT ANNOUNCEMENTS FOR US\$ 798 MILLION

In 2017, 433 investment projects were announced for an amount of US\$ 798 million, according to the Argentine Agency for Investment and International Financing. The main investment project belongs to the private group Albanesi dedicated to the transportation and supply of natural gas and electricity supply. Albanesi's investment is for US\$ 135 million and is linked to the expansion of gas pipelines in the Province of Córdoba. In addition to this, Holcim announced investments of US\$ 120 million. The company is planning to increase its cement production at its Malagueño plant, near the capital city of Córdoba, which will add 730,000 tons per year to the 4.8 million currently produced.

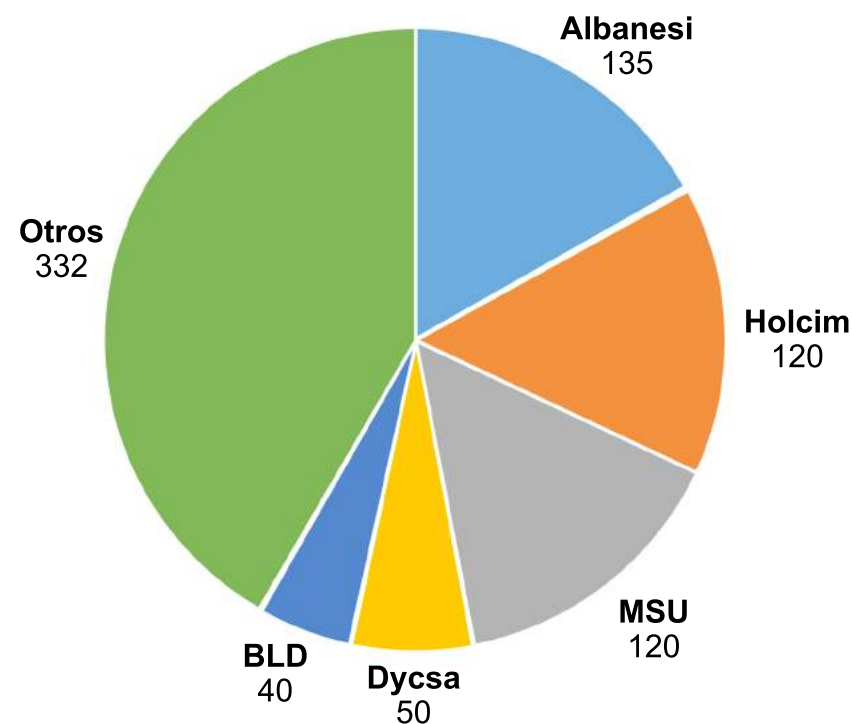
Another project of great importance is the one of MSU Energy, an electric power generating company, which inaugurated a plant in the city of Villa María in Córdoba for US\$ 120 million. Besides that, other investments taking place involve US\$ 50 million from the developer Dycsa, which announced the construction of a high-end real estate complex, and US\$ 40 million from BLD that announced the development of a pig production unit in Noettinger - southeast of the Province of Córdoba.

CÓRDOBA CAPTURED 34% OF THE INVESTMENTS OF THE "PLAN 1 MILLÓN"

The "Plan 1 Millón" for automotive was an agreement signed between the national government and the main automotive companies to produce one million vehicles until 2023. The agreement, signed in March 2017, plans to generate investments for US\$ 3,500 million, of which US\$ 1,200 million have already been established in the Province of Córdoba. In addition to these investments, the new cycle will have a positive impact on the generation of employment in the province - 6,000 new direct and indirect jobs are estimated - and diversification in export markets - since today 70% is exported to Brazil.

One of the most important companies installed in Córdoba is Renault. Renault has one of its main production hubs in the province, manufacturing for both Nissan and Mercedes Benz. Last year, a total investment of US\$ 700 million was made at its plant in Santa Isabel. Fiat, for its part, invested US\$ 500 million to achieve its objectives of the "Million Plan". In the latter case, the investment is focused on modernizing the plant and processes and incorporating new technologies.

**Investment Projects Announced in Córdoba
Year 2017**
(Millions of US\$)



Source: Argentine Agency of Investment and International Trade

VOLKSWAGEN ADDS US\$ 150 MILLION TO ITS INVESTMENT PLAN IN CÓRDOBA

Volkswagen plans to make an investment of US\$ 150 million in the gearboxes facility that has in Córdoba. Currently about 700,000 units are manufactured per year. 270,000 boxes would be added to the production and exported in its whole to Europe for the products of Volkswagen, Seat, Skoda and Audi. Production would start in 2020. From the company's board⁵ they assure that Córdoba is the recipient of new investments with the intention of improving competitiveness and maintaining quality. Good dialogue with trade unions and the confidence that exists in the country was also highlighted.

This investment announcement is linked to the announcement of the "Tarek Project" at a national level, which is an industrial project that will lead to the manufacture in Argentina of compact cars or SUVs. The manufacture of the compact SUV will be at the Volkswagen plant in Pacheco, Buenos Aires and will cost the company around US\$ 650 million to investment in the country.

THE ITALIAN AUTOPARTIST PROMA IS INSTALLED IN CÓRDOBA

The Italian autopartist Proma SSA settled in Córdoba with an investment of € 5 million. The firm, which was installed in the City of Córdoba, started production for the Fiat Cronos model. At the moment the plant has 60 employees and manufactures seat structures and components for front and rear bumpers.

For its election, the company highlighted the competitive advantages offered by the province, such as strategic location, qualified HR, infrastructure, natural gas, routes and extensive fiber optics. Proma SSA currently has 23 industrial complexes in different countries (3 of them in Brazil) and this would be the first plant to be established in Argentina.



⁵ <https://www.lanacion.com.ar/2114406-VOLKSWAGEN-PIENSA-SUMAR-A-SU-PLAN-DE-INVERSIONES-US150-MILLONES-EN-CORDOBA>

THE AEROCOMERCIAL SECTOR ACCUMULATED INVESTMENT ANNOUNCEMENTS FOR US\$ 235 MILLION

According to the Ministry of Industry of the Province of Córdoba, the second most important sector in terms of investment volume - after the automotive sector - was the aero commercial sector, which presented announcements for US\$ 232.5 million in the last two years.

In this context, the arrival of Flybondi, the first Argentine low-cost, which installed its hub in Córdoba, was of great importance. The company already has its third Boeing 737 and already has more than 80 employees in the province.

The expansion and improvement of the Córdoba International Airport are also planned, the third in the country in importance level. Only in this area is it estimated that 280 direct jobs will be created.



AEROLÍNEAS DUPLICATED ITS TRAFFIC OF TRAVELERS IN CORDOBA THANKS TO THE HUB

The decision of the company Aerolíneas Argentinas to choose the Ambrosio Taravella airport as a hub for the distribution of flights is revealing a great performance.

In the last quarter, 412 thousand passengers traveled through the hub that connects the provinces of the north and south without passing through Buenos Aires. If the first quarter of 2018 is compared with the same quarter of 2015, an approximate increase of 100% is observed.

Regarding passengers traveling from Córdoba, the percentage reached 25%, 10 points more than the increase recorded by the rest of the company's flight network. Mario Dell'Acqua, president of the company, confirms that the strategy to continue developing the operation includes adding destinations and frequencies; and raise the level of occupation.⁶

⁶ <http://www.lavoz.com.ar/negocios/en-dos-anos-aerolineas-duplico-su-trafico-de-viajeros-en-cordoba>

CONTACT

Ramiro Sosa Navarro (Director)

Ana Balestre (Chief Advisor)

Justo Erede (CFO)

inversores@bancor.com.ar